

## AUSTRALIA

- Over the past decade, per capita income surpassed the average of the most advanced OECD countries, helped by high terms of trade and employment rates. However, productivity gains have been weak and the economy faces a period of adjustment in the wake of the mining boom.
- Shortfalls in transport infrastructure are being addressed by ambitious investment plans; however, ensuring cost-efficiency will require efficient design and monitoring. Childcare services are being expanded, but educational inequalities remain high and gaps are particularly large for minority groups, especially indigenous communities. Progress has been made in relaxing barriers to foreign direct investment.
- Better productivity performance could be achieved by further improving the operating environment for the private sector, most importantly in infrastructure, taxation, labour skills and innovation.
- Improving educational and labour market opportunities for minority groups would not only reduce social exclusion but also boost growth potential.

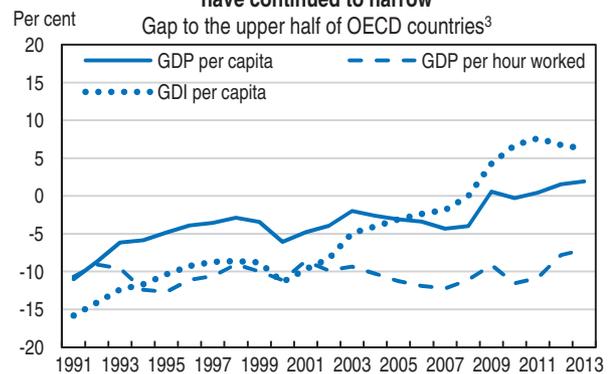
### Growth performance indicators

#### A. Average annual trend growth rates

Per cent

	2003-08	2008-13
Potential GDP per capita	1.4	1.3
Potential labour utilisation	0.5	0.1
of which: Labour force participation rate	0.3	0.2
Employment rate <sup>1</sup>	0.2	-0.1
Trend employment coefficient <sup>2</sup>	0.0	0.0
Potential labour productivity	0.9	1.2
of which: Capital deepening	0.5	1.1
Labour efficiency	0.2	-0.2
Human capital	0.2	0.3

#### B. Gaps in GDP per capita and productivity have continued to narrow



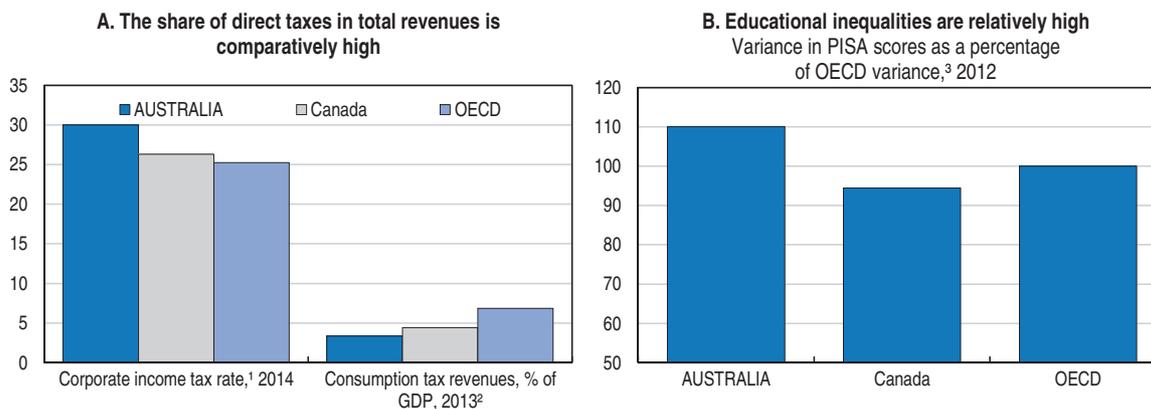
1. The employment rate is defined with respect to the economically active population; a positive growth rate corresponds to a decline in the structural unemployment rate and vice versa.
2. This adjustment variable is added to the decomposition to capture the impact of non-resident workers.
3. Percentage gap with respect to the simple average of the highest 17 OECD countries in terms of GDP per capita, GDP per hour worked and GDI per capita (in constant 2005 PPPs).

Source: Panel A: OECD, *Economic Outlook 96 Database*. Panel B: OECD, *National Accounts and Productivity Databases*.

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## AUSTRALIA

## Policy indicators



1. Combined central and sub-central (statutory) corporate income tax rate.
  2. Data refer to 2012 for Australia.
  3. OECD = 100. The variance components in mathematics, sciences and reading were estimated for all students in participating countries with data on socio-economic background and study programmes. The variance in student performance is calculated as the square of the standard deviation of PISA scores in reading, mathematics and science for the sample of students used in the analysis.
- Source: Panel A: OECD, *Revenue Statistics and Tax Databases*. Panel B: OECD (2014), *PISA 2012 Results: What Students Know and Can Do (Volume I, Revised edition, February 2014): Student Performance in Mathematics, Reading and Science*, PISA, OECD Publishing, Paris, <http://dx.doi.org/10.1787/9789264208780-en>; and OECD (2013), *PISA 2012 Results: Excellence through Equity (Volume II): Giving Every Student the Chance to Succeed*, PISA, OECD Publishing, Paris, <http://dx.doi.org/10.1787/9789264201132-en>.

StatLink  <http://dx.doi.org/10.1787/888933178113>

## Going for Growth 2015 priorities

**Priorities supported by indicators**

**Enhance capacity and regulation in infrastructure.** Addressing infrastructure service shortfalls will help productivity performance and sustainable growth.

**Actions taken:** Road construction is being expedited as part of wider government plans to improve infrastructure, including federal-government incentives for states to sell assets and use the proceeds for new infrastructure (the Asset Recycling Initiative).

**Recommendations:** Ensure infrastructure spending delivers value-for-money especially in designing and overseeing construction works and public-private partnerships. Ensure new infrastructure systems integrate environmental concerns through user and congestion charges.

**Improve the efficiency of the tax system.** Consumption taxes are relatively low while income taxes are heavy. This partially reflects a high headline company tax rate, especially for a capital-importing country like Australia.

**Actions taken:** The 2014-15 Budget foresees reduction of the corporate tax rate by 1.5 percentage-points and the reintroduction of indexation of excise on vehicle fuels.

**Recommendations:** Reduce the corporate tax rate as part of a wider reform that also envisages raising the currently low rate of goods and services tax (GST) and/or widening the base. Act towards a rapid international agreement and take measures to prevent base erosion and profit shifting.

## AUSTRALIA

**Improve performance and equity in education.** Enrolment rates in pre-primary education are relatively low. Children from disadvantaged backgrounds face severe educational and skills shortfalls.

**Actions taken:** Further development of universal early childhood education was agreed by national and state governments in April 2013 (the National Partnership on Universal Access to Early Childhood Education). Reform of school funding is underway (the Gonski reform), including introduction of an allocation formula that gives greater weight to socio-economic factors.

**Recommendations:** Press on with facilitating access to childcare that is both affordable and scheduled to allow combining work and family life.

### Other key priorities

**Enhance innovation policy.** Innovation activity is comparatively low, reflecting various factors. For instance, there is room to further improve collaboration between firms and universities.

**Actions taken:** The 2014-15 Budget foresees the creation of the Entrepreneurs' Infrastructure Program (EIP). One component of the EIP is "Research Connections", which provides a brokering service to link SMEs with research organisations and grants of up to ASD 50 000 to engage researchers.

**Recommendations:** Fiscal conditions allowing, add new mechanisms for boosting collaboration between business and academia, e.g. innovation vouchers for academic contracting. Ensure that these measures incorporate the local context in which they are implemented, that they are simple to use and effectively advertised with efficient brokering.

**\*Improve opportunities and outcomes for indigenous communities.\*<sup>1</sup>** Gaps between the indigenous communities and the rest of the population remain large, including in life expectancy and employment rates.

**Recommendations:** Simplify and rationalise the system of indigenous-community support; envisage a smaller menu of programmes that focus more tightly on improving health outcomes, educational achievement and labour-market participation.

## Reform areas no longer considered a priority in Going for Growth

**Relax barriers to foreign direct investment.** Past recommendations suggested a wider application of lighter screening procedures for foreign-direct investment (as already applied to inward investment from the United States) and to enhance the transparency of such procedures.

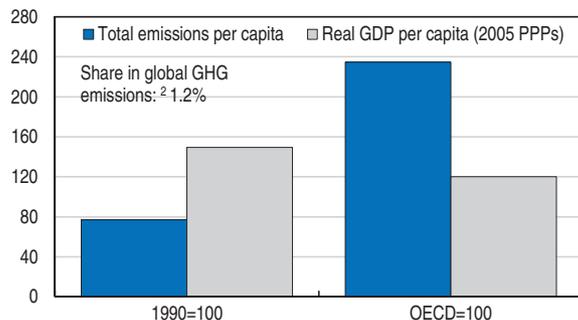
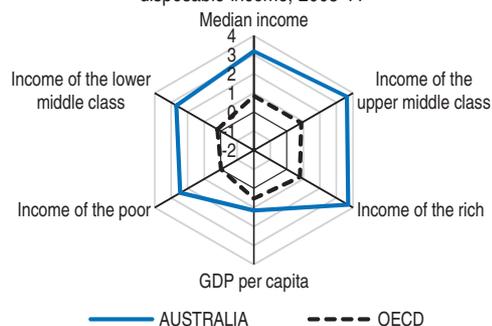
**Actions taken:** Lighter procedures have applied to New Zealand since March 2013 and are in the pipeline for Korea, Japan and Chile; the rule-based screening system is no longer considered a major impediment to growth potential.

1. New policy priorities identified in *Going for Growth 2015* (with respect to *Going for Growth 2013*) are preceded and followed by an "\*\*\*".

## AUSTRALIA

## Beyond GDP per capita: Other policy objectives

## A. Emissions per capita are well above OECD average

Average 2008-12<sup>1</sup>B. Households in the upper part of the income distribution have benefited relatively more from growth in GDP per capita<sup>3</sup>Average annual growth rate in real household disposable income, 2005-11<sup>4</sup>

1. Total GHG emissions including LULUCF in CO<sub>2</sub> equivalents (UNFCCC). The OECD average (excluding Chile, Israel, Korea and Mexico) is calculated according to the same definition.
2. Share in world GHG emissions is calculated using International Energy Agency (IEA) data.
3. Household income across the distribution is measured by income standards with varying emphasis on different points of the distribution – from the low to the top-end of the distribution. See methodological notes at the end of the chapter for the computation of household income across the distribution.
4. Data refer to 2004-12 for Australia.

Source: Panel A: OECD, *National Accounts and Energy (IEA) Databases*; and United Nations Framework Convention on Climate Change (UNFCCC) Database. Panel B: OECD, *National Accounts and Income Distribution Databases*.

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